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Report Highlights:

In 2004 and 2005, Bulgarian livestock industry continued to struggle with new EU veterinary, sanitary and safety norms. The biggest challenge has been the eradication of classical swine fever which started in 2005. Meat shortage became acute due to protectionist trade policy, and consumer demand exceeding local commercial production. Imports of red meat in 2004 increased 50% for beef and 45% for pork compared to 2003, and further increases are likely in 2005 and 2006 to meet local demand. The U.S. suppliers have an opportunity to export until October 2006 or October 2007, depending on the actual EU accession date (2007 or 2008).

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Sofia [BU1]
[BU]

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Executive Summary

Over the last CY2004 and in early-2005, Bulgarian livestock industry continued its restructuring and preparations for the EU accession. The major challenges for the livestock farms and meat processing industry were related to active investment, changes of breeds, and introduction of EU harmonized food safety, veterinary and sanitary norms.

The good grain crop in 2004 was a welcome relief after the grain deficit and high feed prices in 2003/2004. However, the better grain supply in the second half of 2004 and in 2005, was not sufficient to compensate for the distress slaughter in the first half of the year (see BU4006 about the effect of the grain deficit on the various livestock sub-sectors). Dairy cows numbers were an exception - they have the best chances to stabilize and continue to increase due to the positive developments in the dairy sector.

Most small livestock farms and many of middle size farms, however, were not able to introduce new EU veterinary requirements in the area of animal health, animal welfare etc., and were either shut down by authorities, or decided to terminate their own business in 2004/2005. In addition, meat prices increased as a result of consumer demand exceeding meat supply and stimulated slaughter by smaller farms. As a result, livestock numbers were down and no revitalization in the meat sector is expected in the next one-two years before the process of adjustment to the EU requirements in terms of introduction of animal health, veterinary and food safety standards, and in terms of market competitiveness, takes place.

A new, very serious challenge is the termination of vaccination against classical swine fever (CSF) starting January 1, 2006, which may lead to a dramatic drop in swine numbers and pork production. In 2005-2006, the livestock and meat industries are to continue with further restructuring related to investment in improved breeds; better meat quality; adoption of stringent hygiene practices and food safety standards; and development of new marketing strategies. Most likely results by 2007/2008 are fewer number of farms and livestock but at a higher economic and commercial agribusiness level.

As a result of the above trends, meat production (pork and beef) in 2004 was lower and meat imports increased. For example, beef imports in 2004 reached 33,000 MT or 50% higher than in 2003; pork imports (estimated and shown in the PSDs) reached 32,000 MT or 45% increase. Imports of meat products other than frozen beef and pork, also increased significantly to reach about 46,000 MT or 34% more than in 2003. These imports traditionally were meeting the demand of the meat processing industry. The process is continuing in 2005. For the first seven months of 2005, meat (beef and pork) imports were already 48,000 MT (source: Bulgarian Customs).

According to U.S. Customs, in 2004, the U.S. exports of red meat to Bulgaria increased from 913 MT in 2003 to 2,662 MT. In 2005, (January-July), these exports were 1,420 MT or 56% higher than in the same period in 2004. The Bulgarian Customs shows different data (used in the report) according to which U.S. red meat exports (pork and beef) in 2003 were at 2,999 MT (See BU4006) and 2,282 MT in 2004.

As of September 2005, Bulgaria has several EU approved meat facilities: 4 slaughterhouses for red meats (Svishtov, Vratza, Silistra, Shoumen); 9 slaughterhouses and processors of poultry meat (mainly for ducks and geese); and 5 meat processing facilities for red meats. In addition, Bulgaria has 2 EU approved facilities for game meat and 4 seafood facilities (2 for caviar and 2 for fish).

The EU sanitary and hygiene requirements for the meat processing facilities became mandatory for the Bulgarian industry in 2005. The HACCP is also a required food safety

system from January 1, 2006 for industrial facilities and from January 1, 2007 for smaller facilities. All meat facilities which have no chance to meet the EU requirements were shut down in 2004 and are being closed in 2005, so that by January 2006, only those which have the potential and ability to introduce these standards will continue to operate.

Currently, there are several areas in the veterinary field which have been outlined by the EU experts as being of high concern in terms of EU accession and Bulgarian commitments. The work in these areas is far behind the schedule and this may cause serious problems in country's negotiations about the specific data of EU accession.

- The new major Veterinary Law has not been passed by the Parliament yet. Another 70 by-laws have to be passed after the Law is enforced;
- Not completed ear marking and related to this development of the computer database for tracking of animal movement, animals health status, births, deaths, losses etc.;
- Border control: out of 8 border points, only one has been completed in 2005. The rest should be ready by 2007;
- Incinerators for the BSE specific risk materials (SRM), high risk and low risk materials. Bulgaria has 5 incinerators of which two are of industrial capacity but they do not meet the EU requirements and have to be upgraded. A new one funded by the EU is in process of being built and will be ready by early 2007. All slaughter houses must burn their high risk and specific risk materials in the most modern incinerator in Shoumen.

The state is paying only for burning of high risk materials. The processed low risk materials, about 50,000 MT per year, can not be sold and the cost of their processing is not covered by the budget, which leads incinerators to a bankruptcy. Incinerators can not sell the meat and bone meal from low risk materials although it still can be fed to poultry and swine (there is not such ban yet). Burying is the other option, however, burying of such quantity poses a risk for human health and is not in line with the EU standards. The new veterinary law is expected to be passed in late 2005 according to which the meat facilities should cover the expenses on processing of low risk and specific risk materials at the incinerators.

- Meat processing facilities which do not meet EU food safety standards are to be shut down. Currently, only 123 such facilities are evaluated to be ready to export to the EU and to survive after the accession. There is a category of 670 facilities of which about 40% are estimated to join the first group, the rest will be most likely closed.
- Eradication of classical swine fever. Bulgaria stopped using the live vaccination in August 2005 and will vaccinate with a market vaccine between September 2005 and January 2006. From January 1, 2006, any vaccination will be terminated. These efforts may lead to a collapse in the pork sector if not managed professionally and farmers are not compensated well by the state.

Despite the BSE temporary import ban on the State of Washington (December 26, 2003 - February 6, 2004) Bulgaria continued to allow entry of U.S. beef steaks for HRI consumption and hotel promotions. In 2004, three major U.S. beef promotions took place (May, June, September) in Sofia hotels. In 2005, U.S. beef exports continued (including beef steaks)

without any breaks (no temporary bans were imposed at no time) and another three promotions were done to date (in June in Sofia; and two in September - in Sofia, and on the Black Sea) as one more promotion is planned for November/December period at one of the mountain resorts. Currently, quality U.S. beef steaks are offered in the top six hotels/restaurants.

The prospects for U.S. meat, both beef and pork for processing, as well as higher quality beef steaks for direct consumption, are very good. Bulgaria still recognizes the agreed with USDA/FSIS import certificates for U.S. meat and meat products which allow entry of U.S. meats until Bulgaria becomes a full member of the EU. However, if Bulgarian joins the EU in January 2007, the Bulgarian Veterinary Service is obliged to introduce the requirement for accepting meat only from EU approved establishments two months before the accession or in October 2006. Provided that the EU accession is postponed until 2008, the U.S. red meat will have an opportunity on the local market until October 2007 or for another two years.

Cattle and Beef

Production

The data in the PSD table for cattle was revised based on final official figures for cattle and cows numbers as of November 2003 and November 2004 which are accepted as official numbers as of January 1, 2004 and 2005, due to insignificant difference.

The distress slaughter of cattle in the first half of 2004 as a result of the grain deficit (although not at the scale as in the pork sector), the attractive beef prices in the second half of 2004 and early 2005 as a result of overall meat shortage, combined with general restructuring of the sector and orientation of commercial farms to milk production, all resulted in higher than projected slaughter cattle. Thus, the total number of cattle as of January, 2005 was 671,000 head or 8% lower than in 2004. At the same time, the number of dairy cows has stabilized and slightly increased. While at the end of 2003, the number of cows was 52 percent of total cattle numbers, at the end of 2004, this percent is already 57 (Table 1). Since the above processes are continuing in 2005 and 2006, it is expected that by 2006, the number of cows will stabilize and the total cattle numbers may decline slightly.

The structure of the cattle industry is described in the table below. For the past one year, the number of cattle farms has declined by 9% to 194,000 farms. The average number of cattle per a farm increased slightly from 3.4 to 3.5; and the same occurred with average cows per a farm, from 1.9 to 2.1. However, still 64% of farms with dairy cows have only one cow which represents 30% of all dairy cows. As of early-2005, commercial cattle sector accounted for 2 percent of dairy farms (3.0% a year ago) and 22 percent of total dairy cows (21% a year ago).

Structure of the cattle farms and cattle numbers as of November 2004				
		Cattle total	Cows	Calves under one year age
Total farms	Livestock numbers	672,000	380,000	201,500
	Farms	194,000	180,000	115,200
	Average number of livestock per a farm	3.5	2.1	1.8
Note: MinAg Bulletin #66, April 2005				

Distribution of cows, ewes, and sows per farms in November 2004						
	Dairy Cows		Ewes		Sows	
Number of livestock per a farm	As a share (%) of farms	As a share (%) of total cows	As a share (%) of farms	As a share (%) of total ewes	As a share (%) of farms	As a share (%) of total sows
1-9	97.7%	75.4%	86.7%	46.8%	96.3%	34.7%
10 and more	2.3%	24.6%	13.3%	53.2%	3.7%	65.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Note: MinAg bulletin #66						

The calf crop for the period 2004-2005 is based on estimated 80 percent birth rate for 100 cows (there is no such official data). The loss rate is estimated at 6% in 2004-2006.

Production factors

Feed

In MY2004, grain crop was in good supply and of very good quality. In MY2005, the grain supply was also good, although the quality was lower and more appropriate for feeding purposes. In both years, however, access to feed was easy. Feed prices were favorable for the livestock farmers. Export demand was targeted to higher milling quality grains which left feed in good supply within Bulgaria.

As a result, in 2005 (post harvest) ex-farm feed prices were comparable to those in the same period in 2004: feed wheat at 120 leva/MT (130 leva/MT in 2004); and feed barley at about 100 leva/MT (80 leva/MT in 2004). Corn prices are also forecast to be low in MY05/06. Good feed availability is likely to stimulate farmers to keep dairy cows for milk production, and may reduce the slaughter rate to 22%-23%. Cattle numbers are likely to stabilize at the current level in the next year although the attractive beef prices will motivate small farms to slaughter.

Currently, an increasing number of farms are trying to develop its dairy specialization as a priority but at the same time, are allocating small herds to develop the meat breeds as well. These farmers are motivated mainly by upcoming EU subsidies for the beef sector which is not developed in Bulgaria (no meat breeds). Since this process is at its very early stage, it is not expected that Bulgaria will be able to produce beef sufficient to meet its local demand and for exports soon. In the next 3-5 years, the country will produce beef mainly from the slaughtered dairy breeds calves and will be a net importer of beef. Please, see BU5005 for more details regarding the development of the dairy sector in Bulgaria.

Prices

The trend of higher beef prices which started in 2001/2002, continued in the first half of 2003. In the second half of 2003 and in 2004, prices slightly declined, to jump back again in 2005. The feed expenses continued to account for the largest portion (70-75 percent) in the production cost. With the development of the retail sector, the share of purchase prices in the final retail beef price continued to decline.

Beef prices in 2002-2005 in leva/kilo				
	Average 2002	Average 2003	September 2004	September 2005
Purchase price in LWE, calves	1.71	1.60	1.65	1.80
Purchase prices in LWE, cattle	1.26	1.18	1.14	1.20
Wholesale price, leva/kilo, beef in carcass	4.46	4.26	4.34	5.00
Retail price, leva/kilo, beef with bones	5.24	5.00	5.18	5.50
Source: MinAg Marketing Bulletin for Red Meat, November 2004; Association of Meat Processors Bulletin #37, 2005				

Credit and subsidies

The GOB via State Fund Agriculture does not have any significant support credit lines for the development of the cattle sector except for a small subsidy for high quality fresh milk and soft credit lines for purchase of breeding stocks. Small credit lines exist for purchase of equipment for livestock farms and for construction/reconstruction of existent livestock farms.

In 2004, the subsidy line for support of selection and breeding herds was 4.5 million leva (2.3 million Euro). In 2004, cattle supported under this program was 35,600 head with 846,000 leva (423,000 Euro) or about 50% more funds than in 2003. Under the investment support program for the livestock sector, total 25 million leva were allocated, for upgrade, modernization and other improvements in commercial meat production. Total 81 projects for purchase of 1,300 breeding animals were executed at the cattle farms under this program.

There are no subsidies for meat cattle farmers, or any target programs to encourage beef meat production.

Production problems

Animal health: There were cases of bovine tuberculosis (TB) and leucosis on cattle in 2003 and in 2004. These diseases are rather frequent on cattle in the country and require higher farmers' attention.

Bulgaria is currently known to be free of BSE. The country did not register any BSE outbreaks over the last 40 years. In general, Bulgarian cattle farmers do not use meat and bone meal in their feed formulations. According to the latest EU inspection (summer 2005), Bulgaria needs to do a lot of work in the area of meeting the EU-BSE related requirements. This includes modern incinerators (see summary), and the appropriate treatment of risk materials. In the fall of 2002, Bulgaria opened the first modern BSE testing laboratory built

with the EU financial assistance. The tests, and BSE eradication and surveillance programs applied, are in line with the EU requirements.

Investment: In 2003 - 2005, the EU-SAPARD program was intensively used for investment at meat processing facilities, livestock commercial operations, slaughterhouses, and for infrastructure in the meat trade (warehouses, refrigerators etc.). As of May 2005, the official records show that SAPARD has approved investment in 89 meat farms (includes white meat as well) of which 32 projects have been completed for 26 million leva (13 million Euro); in the meat processing sector, the number of approved projects is 91 of which 63 have been completed for 108 million leva (54 million Euro).

Beef Meat Production

Meat production in this report is estimated based on PSD for animal numbers and produced meat from slaughtered animals (AgOffice estimate) using the average slaughter indexes in slaughter houses and on farms (official MinAg data).

There is an official statistics about slaughtered animals which is used as a reference here. This statistics, however, is not fully reliable since it is based on a survey with farmers answering questionnaires, and "underreporting", especially at small/medium farms, is common. There are two MinAg bulletins (Landsis #66, April 2005, and Landsis #80, June 2005) which refer to slaughtered animals in 2004 but have two different figures – 224,000 head (#80, June 2005) and 252,000 head (#66, April 2005). These estimates include both animals slaughtered at slaughter houses and those slaughtered at farms under the veterinary control. The AgOffice estimate, 266,000 head, is close to the official statistics but it also takes into account the usual "underreporting" by farmers which is widely spread due to tax purposes.

The number of slaughtered animals is obtained as a remaining figure after deducting loss rate which is estimated at average 6.0 percent in 2004 (same index is used for 2005 and 2006). The percent of slaughtered animals in 2004 is estimated at 26% of total supply, a decline from 30 percent in the past to 25 percent in 2003/2004. This trend is a result of improved herd management, improvement in dairy management, and commercialization of the sector which keeps an increasing number of dairy cattle at more efficient farms. The estimates for 2005 and 2006 are for 22%-23% of total supply to be slaughtered.

The beef/veal production data in the PSD table is based on the slaughter data from the PSD table for cattle numbers, and the average carcass weight at slaughter houses, or 168 kilos/head for 2004 (MinAg bulletin #80, June 2005). The official MinAg data shows total beef meat production at 31,000 MT (MinAg Marketing Bulletin, November 2004 and Bulletin #80), however, it is based on lower number of slaughter animals (225,000 head). The AgOffice estimate for beef production in 2004 (45,000 MT) is supported by the Association of Meat Processors (AMP) in Bulgaria. Estimates for 2005 and 2006 are based on the same carcass weight index since no major changes are expected in the near future.

According to official MinAg data, the average LWE for slaughtered cattle in 2004 has declined by 26% and the average CWE has dropped by 16% vs. 2003. This trend is explained by the fact that the demand for veal from younger calves is higher. Lower CWE is another reason for lower beef production in 2004.

Cattle and calves slaughtered at farms in 2004 increased significantly by 43% while those slaughtered at facilities declined by 13%. Thus, in 2004, 80% of all cattle and calves were slaughtered at farms and produced 75% of all beef. Similar to the trend at slaughtered houses, average LWE at slaughter at farms was 18% lower than in 2003. For this reason,

beef produced at farms in 2004 was down by 7.8% compared to 2003. In general, beef produced at farms is not getting to the food chain and is used for on-farm consumption or village trade.

Commercial Beef Production

Beef production is traditionally lower than consumption. This is due to the fact that Bulgaria is a net importer of beef. In 2004, 75 percent of produced beef did not reach the market and stayed for on-farm consumption. Therefore, the 2004 commercial beef market can be estimated at 11,000 MT (25 percent of total production of 45,000 MT) local beef and 33,000 MT imported beef or about 44,000 MT of commercially traded beef.

Slaughter and meat production in 2004

In 2004, total 174 slaughter houses were existent of which 27 were not functioning. Out of 147 operating slaughter facilities; 85 slaughtered cattle, swine and sheep; 122 slaughtered cattle; 168 slaughtered swine; and 93 slaughtered sheep. There are a few specialized slaughter facilities – 2 for cattle; 3 for sheep and goats; and 45 for pork.

The number of EU licensed for exports slaughter houses was 4, accounting for 49% of total slaughtered animals and 15% of total produced meat. Another 10 slaughter facilities were approved for exports to non-EU countries. They accounted for 12% of slaughtered animals and 17% of local meat output. Total 160 facilities work for the local market and produce 68% of total meat.

In 2004 (November 2003-November 2004, MinAg source), the number of total slaughtered animals is officially reported to be total 3,036,000 head of which 40 percent sheep; 33 percent pigs; 20 percent goats and less than 7 percent of cattle.

According to the MinAg data (Bulletin # 80), total produced red meat (beef, pork and sheep) in 2004 both at slaughter houses and at farms is 9.2% more than in 2003. This slight increase is due to higher average LWE/CWE of slaughtered livestock (by 4.9%) despite the reduced number of slaughter (by 0.5%). Red meat produced at slaughter houses and entering the food chain was 47.8% of total red meat versus 52.2% of red meat produced at farms. It is interesting to note that meat produced at farms in 2004 increased 38.4% compared to 2003 which proves the increased slaughter rates at small/medium farms.

In 2004, the largest share in country's meat production have three regions: Lovech, Silistra and Plovdiv. These three regions accounted for 35% of all beef and 35% of all pork meat.

Please, see the table below (MinAg official information) about slaughtered animals and distribution by regions in Bulgaria:

Number of slaughtered animals in 2004 by regions in Bulgaria					
	Cattle	Swine	Sheep	Goats	Total
Northwest	18,800	66,300	122,300	102,100	309,500
North central	35,700	235,400	147,900	111,900	530,900
Northeast	49,600	303,100	354,700	133,600	841,300
South east	23,500	144,500	228,500	95,200	491,700
South central	91,900	161,000	305,500	136,200	694,600
Southwest	32,900	86,500	183,600	132,200	434,300
Total Bulgaria	251,500	996,800	1,342,500	711,200	3,302,000
Note: MinAg Landsis Bulletin #66					

The official slaughter numbers above do not include very small farms, or more correctly rural houses which have one or two animals (cattle, pigs) and up to 3-5 animals for goats and sheep. Therefore, the actual number of slaughter animals is higher and this percent varies depending on the animal type. Such information is not collected and it is not available officially, thus, the PSD information about slaughter animals is based on experts estimates by trade/industry. For 2004, it is as follows (see PSD tables, in head): cattle 266,000; and swine 1,146,000. These numbers are higher than the official numbers.

Beef Meat Consumption

Unlike poultry and pork, no significant changes in the total volume of beef consumption are expected in the near future. Beef meat produced in Bulgaria is not from meat breeds, it is obtained from slaughtered dairy cattle. Therefore, its quality is not high and it is used mainly for processing. A relatively small portion of beef is destined for direct consumption as fresh meat in retail and food service outlets. There are not any established commercial supply farms of beef for direct consumption. Future changes are expected mainly in the structure of beef market with the developing and increasing share of higher value cuts at the expense of beef for processing and edible offal which tend to be substituted with turkey and sometimes with pork.

In 2004, lower than projected number of slaughter cattle and lower CWE resulted in lower meat production, 45,000 MT. This led to higher beef imports for processing, 33,000 MT vs. 23,000 in 2003. Higher imports stabilized total supply and human consumption stayed stable at 76,000 MT (see PSD beef table). The expectations for 2005 and 2006 are for further drop in beef meat production at 38,000 MT and 36,000 MT, due to lower total cattle numbers although slaughter rates may stay stable. Beef imports are likely to increase to 39,000 MT-41,000 MT to meet the shortage. As a result, human consumption is expected to stay stable at its previous level of 76,000 MT.

In the medium/long term, beef consumption is forecast to stay within the limits of 76,000 MT to 79,000 MT depending on the local supply and with stable increased annual imports up to 30,000 MT-40,000 MT in the near term. However, this forecast is highly dependant on the future trade policy after the Bulgarian accession in the EU. Currently, most beef is supplied by Brazil and Argentina. The EU is also a net importer of beef. If Bulgaria will not be able to import at competitive prices from the global market, this will significantly change beef consumption pattern and may force consumers to seek for other alternatives.

Over the last two-three years, there has been a tendency of increased consumer interest in beef meat for direct consumption. A significant factor contributing for this trend is the fact

the Bulgaria is known to be free of BSE; and that since 2003, there is a reliable vet testing for imported beef. Currently, high quality beef steaks on the market are imported from the U.S. and from Argentina. Importers of these products report increasing sales both in 2003 and 2004. In 2005, the U.S. beef was offered at 3 promotions as the target market is the HRI sector, and one more promotion is planned for late 2005. Argentine steaks are promoted mainly at the retail level (in Metro outlets) since they are lower priced compared to the U.S. beef steaks.

Trade

Exports

In 2004, the MinAg decided to subsidize exports of certain agricultural products but beef meat was not among them.

Cattle: Bulgaria exports a small number of cattle/calves mainly for slaughtering to the Near and Middle-East, and North Africa countries based on traditional ties. In 2002 - 2004, Yugoslavia and Jordan were the largest markets for live cattle due to the fact that Bulgarian export supply was known to be free of BSE. In 2004, exports of live cattle were 24,714 head of which 21,944 declared for slaughter. (\$4.4 million).

About 25,000 head of cattle are expected to be exported in 2005 - 2006. Bulgaria does not export live cattle to the EU since the most recent EU classification on BSE risk put Bulgaria in relatively high risk category.

Beef: Bulgaria has the following quotas for exports to the EU in the period July 1, 2003-June 30, 2004:

- for live cattle, below 80 kilos, HS#0102 90 05 – 10 percent of MFN duty for 178,000 head; above 80 kilos but below 300 kilos, HS# 0102 90 21 – 10 percent of MFN duty for 153,000 head; HS# 0102 90 heifers and cows different from those for slaughter – 6 percent fixed duty for 7,000 head;
- for HS#0201,0202 -beef, fresh, chilled and frozen at 0% percent import duty for 250 MT.

Since May 1, 2004, the new trade agreements between Bulgaria and the EU-25 came in force. According to these agreements, the following was granted to Bulgarian exports to the EU:

- HS#0102 90-6,000 head at 0% duty and annual increase in this quota of 600 head;
- HS#0201 and 0202 – 2,500 MT of beef at 0% import duty;
- HS#1602 50 – beef cans, 0% duty for a TRQ of 600 MT and 60 MT annual increase.

There is an export quota for Macedonia at 50 percent reduction of import duty or 9 percent plus 0.0250 Euro/kilo for 300 MT.

Quotas for the EU are not filled since Bulgarian beef is not competitive in terms of quality and price on the EU market. Although there are 4 EU approved slaughter houses for red meats, only two have a line for cattle (Vratza and Silistra).

In 2004, beef exports were very small, 93 MT. The major reason for low beef exports is higher demand on the local market. Traditional market for small quantities of local fresh beef in 2004 was Yugoslavia and UAE.

Imports

In 2004, only 186 breeding cattle were imported vs. no imports of live cattle in 2003. In 2005, however, higher imports of breeding cattle are expected due to a state import subsidy program for improvement of dairy herds. This is not reflected in the PSD table since imports are not likely to exceed 1,000 animals. Exports of live cattle in 2003 and 2004 were simulated by the fact that Bulgaria was considered free of BSE. Practically, all exported cattle were for slaughtering and not for breeding purposes. These exports stayed stable at 25,000 head (22,000 head in 2002) with the largest market for exports being Yugoslavia.

The BSE crisis in the U.S. did not have an effect on beef trade. The Bulgarian Vet Service issued a temporary import ban for products originating from the State of Washington. The ban was effective from December 29, 2003 to February 6, 2004. The ban did not include dairy products and gelatins from hides and skins. No bans on U.S. beef products were imposed since February 2004 to date. Currently, there is no ban of any beef/cattle related products from the U.S.

Bulgaria also softened its import restrictions for EU BSE-affected countries. On June 3, 2004, it lifted the ban on imports of reproductive materials originating from BSE affected countries (bovine semen, ova and embryos). Also, a ban on pet food containing proteins from livestock originating from such countries was removed.

Beef imports in CY2004 were 33,217 MT (\$27.0 million) or 48 percent higher than in CY2003 (22,447 MT) in tonnage. Beef imports are almost entirely in a form of frozen, boneless meat, mainly beef trimmings and beef edible offal for processing (90 percent of total imports); and direct consumption (10 percent). The average import price in 2004 was \$813/MT. Imports of carcass meat from the EU were banned due to BSE. In 2004, only a few EU countries were allowed entry.

Major suppliers of beef to Bulgaria are Argentina, Brazil, Uruguay and most recently Greece. The United States imports in 2004 were 842 MT compared to 1,353 MT in 2003. In CY2004, Bulgaria imported small quantities of high quality U.S. beef steaks which were successfully sold to the HRI sector.

Basic Import Duties in 2005

HS#	Product	Import Duty
HS#0201	meat from bovine animals, fresh or chilled	
	whole, in cuts, bone-in and boneless	5% plus 244 Euro/MT
HS#0202	meat from bovine animals	
	Frozen	
HS#0202 10	whole or half carcasses	5% plus 244 Euro/MT
HS#0202 2030 0202 20 50	other bone-in cuts (fore and hind quarters)	5% plus 244 Euro/MT
HS#0202 2090	Other	5% plus 102 Euro/MT

HS#0202 30	Boneless	
HS#0202 3010 0202 30 50	fore and hind quarters	5% plus 97 Euro/MT
HS#0202 3090	Other	5% plus 97 Euro/MT

Beef Import Quotas

According to GATT agreement, the following beef quotas are available for 2005, total 19,800 MT:

HS#0202 - High quality meat from bovine animals - 1,000 MT at 0%
 HS#0201 30; 0202 30 10;
 0202 30 50; 0202 30 90 Other high quality boneless cuts, fresh, chilled or frozen - 500 MT at 10% duty
 HS#0201 10; 0201 20 20;
 0201 20 30; 0201 20 50;
 0201 20 90; 0201 30 Fresh or chilled bone-in or boneless meat - 1,000 MT at 10%
 HS#0202 10 Frozen bone-in whole and half carcasses - 2,000 MT at 10%
 HS#0202 20 30; 0202 20 50 Bone-in frozen cuts - 10,200 MT at 85.% of which 8,149 MT is for the EU and 2,051 MT for non-EU

HS#0202 20 30; 0202 20 50 Bone-in frozen cuts - 1,000 MT at 0%
 HS#0202 30 Boneless frozen cuts - 4,100 MT at 10%

Bulgaria does not fill its WTO meat import quotas. For example, the WTO quota of 10,200 MT of beef of which 8,149 MT from the EU, at 8.5% reduced import duty is not used.

Use of 2004 WTO meat import quotas in MT				
WTO	HS#	Description	TRQ	Actually imported quantity in MT
	0202 20	Beef cuts	2,051	18
	0202 30	Beef cuts	4,100	4,100
	0210 11	Pork cuts	500	0
	0210 12	Pork cuts	500	162
	0210 19	Pork cuts	500	500
	1601 100-1603 990	Ready meat products	2,000	373
	1602 49-50	Ready foods from beef	200	26
Source: Bulgarian Customs data (www.customs.bg)				

Trade Agreements

EU: The EU has the largest portion in beef import quotas (see above). Imports of cattle offal for pharmaceutical industry are duty free. Live cattle imports are duty free. In the period July 1, 2003 - June 30, 2004, the EU had a TRQ for ready meat products made of beef - 100 MT at 0% duty and annual increase of 10 MT.

According to the new trade agreement with EU-25, the EU has the following preferences in exports to Bulgaria:

HS#0201 and 0202 – 2,500 MT at 0% duty;

HS#0202 20 30 (50) – 8,149 MT at 15% of MFN and 8.5% fixed duty;

HS#1602 50 – Beef cans, TRQ of 300 MT, with annual increase of 30 MT;

Turkey, Israel and Macedonia: no preferences

Croatia: The max import duty for HS#0201 and HS#0202 is 25 percent without any quantitative restrictions.

Agricultural Policy

As of 2005, Bulgaria closed Agriculture chapter with the EU and is considered as fully harmonized in its veterinary and livestock related policy with the EU legislation. The emphasis is given to implementation of food safety regulations, quality of meat products and application of hygiene standards in meat processing plants and slaughter houses. In 2005/2006, Bulgaria plans to introduce the EU system for classification and grading of animal carcasses for slaughtering SEUROP.

Marketing

There are five major livestock markets established with the financial assistance of the European PHARE program (in Vulchi Dol, Sevlievo, Razgrad, Stara Zagora, and Chaskovo) and another four have developed on their own.

U.S. Market Opportunities

The beef market in Bulgaria continues to be good and the prospects are optimistic. Despite the harmonization with the EU legislation, the U.S. is granted derogations for entry of US products until full EU membership. Therefore, AgOffice recommends a continuation of market promotion activities in coordination with the U.S. Meat Export Federation in 2006.

Swine

General

The data in the PSD table for animal numbers was revised based on official GOB statistics and industry data for stocks as of end-November 2003 (used as beginning stocks on January 1, 2004, and numbers as of end-November 2004 (used as beginning stocks on January 2005 (see cattle section). While there is no difference with the previous estimate for total swine numbers, a change had to be made based on official number of sows which is lower than the initial official estimate (Landsis bulletin #66). As a result of this change, the supply part of the table is also changed significantly.

There is no official data about birth rates collected by the MinAg. The birth rate in 2004 and 2005 was estimated by the AgOffice to be lower due to restructuring of the herds and was estimated at 16 piglets per a year. Commercial farms are trying to improve their breeds. These processes, although positive, have temporary negative effects on the sector, especially on the birth rate and the loss rate. The situation will further complicate in 2006 when the country will stop vaccination against CSF. Therefore, the same birth rate is estimated for 2006. The loss rate is estimated at 10 percent to total supply. The swine numbers in the PSD for 2006 are "neutral" and do not assume any collapse in the sector due to the CSF eradication. The exception is the loss rate estimate which is higher for 2006 at 13% due to expected outbreaks of CSF and distress liquidation of sick animals. It is likely, however, that this percent might be much higher. Since it is very difficult to predict the exact development in 2006, any significant changes in swine numbers occurring in the meantime will be reported at a time.

In 2004 and in 2005, the pork sector continued to struggle with inefficiencies, restructuring, changes and improvement in genetics, and lower pork production compared to demand. The sector continued to enjoy high protection in the trade policy but it did not help it to revitalize. High pork prices as a result of continuing demand stimulated slaughter, especially at smaller farms. Thus, swine numbers during 2004 dropped below 1.0 million. The reduction was 10% for total swine and 4% for sows.

The structure of the pork sector in 2004 improved as the commercial concentration increased. Currently, 78 farms account for 39% of total swine numbers; 3.7% of farms with above 10 hogs account for 65.3% of all sows. At the same time, 87.6% of all pork farms have 1-2 hogs; and 0.2% of pork farms have more than 100 hogs and account for 457,000 hogs or 49% of total swine numbers. The last category is considered to represent the commercial pork production sector in Bulgaria.

Pork farms structure, November 2004			
		Swine, total number	Sows, number
Total farms	Livestock numbers	931,400	75,900
	Farms	226,600	34,000
	Average number of livestock per a farm	4.1	2.2

Distribution of sows at farms as of November 2004			
Sows per a farm	Number of farms	Breeding sows above 50 kilos, number	Share in total sow number
1-2	18,694	22,800	24.1%
3-9	2,471	10,100	10.7%
10-49	685	11,600	12.2%
50-199	76	7,200	7.6%
Over 200	48	43,100	45.5%
Total	21,974	94,800	100.0%
Note: MinAg Landsis Bulletin #66			

EU integration: Classical Swine Fever eradication program and standards for carcass classification

The biggest challenge to the pork sector is the eradication of CSF in 2006 due to Bulgarian commitments for the EU accession. Until Bulgaria will not terminate vaccination, the country will not be able to export pork to the EU.

There are various scenarios of possible developments, ranging from pessimistic views describing a complete collapse of the sector, to some rare optimistic views according to which commercial pork farms will still have the chance to survive. All experts, however, believe that eradication efforts will take years, during which a pork shortage is inevitable. A more realistic picture shows that at the beginning swine in small private farms, with 1-3 pigs per a farm, will suffer the most. Currently, swine in this sub-sector is estimated at about half of the animal numbers.

In addition to the major challenge with CSF eradication, pork farms have to continue with restructuring in order to introduce improved breeds in line with the EU requirements, and in order to meet carcass classification SEUROP. According to the Association of Pork Producers, local pork farms are not ready yet for this restructuring which is related with a need for significant investment. Most likely, SEUROP will be introduced only at a few slaughter houses but the trade will continue to be dominated by sales in LWE only. This will mean inability for pork exports to the EU until the genetic improvement of herds takes place.

Production Factors

Animal health

In 2004 and in 2005, to date, there was one outbreak of classical swine fever (CSF) in May 2004 in Bourgas region. Three farmers had 57 sick pigs which were liquidated. The MinAg banned trade in live pigs and any livestock movement in the region. The ban was lifted in July 2004. No outbreaks of CSF were registered in 2005 (see BU4006).

The eradication of classical swine fever (CSF) became the priority for the Bulgarian Vet Service and the pork industry in 2005. According to the negotiations with the EU, Bulgaria is committed to stop mandatory vaccination as of January 1, 2006. Currently, no negotiations for derogations are considered to be undertaken by the local authorities.

Many experts think that eradication of CSF is impossible due to limited administrative capacity of the vet service, large number of hogs in rural houses; small compensations to be paid by the state; relatively big number of wild boars (30,000-40,000 head), and their migration from neighboring countries etc.

In 2005 until September, Bulgaria continued to vaccinate using the traditional live vaccine, produced locally. Despite this mandatory program, however, not all 100% of swine were covered. Experts estimate that there were "sleeping" outbreaks with hogs and permanent fever with wild boars.

In August-September 2005, all pigs including piglets of age above 7 days were vaccinated to improve the resistance against the disease in the next 5-6 months. Wild boars, where it was possible, were also vaccinated. These actions, however, caused protests and debates in the professional veterinary community. A group of experts including the Association of Private Veterinary Doctors blamed the official vet authorities in ignorance and mismanagement. Their position was that such massive vaccination is done only in epidemic case and not as a part of an eradication program. They also expressed a high concern that a danger exists for small suckling piglets since this massive vaccination can destroy antibodies which they have from their vaccinated mothers. In this case, the likelihood to have a CSF outbreak in about 6

months period, or in early 2006, is very high. In addition, these piglets carry the virus of CSF and can quickly spread the disease. For this reason, the pork industry is currently afraid that the CSF outbreak is inevitable.

One of the concerns for the period after 2006 is that smaller farms will try to hide cases of CSF and will not report them. It will be very likely if only small compensation for the killed hogs are paid. Although in October 2005, the MinAg succeeded to allocate a fund for compensation of farmers (17 million leva/8.5 million Euro), many doubt in the efficiency of this effort. In addition, compensations will be paid only to those farmers who have a legal registration as agricultural producers – and most small farms don't.

Another concern is the total cost of the eradication program. The live vaccine used to date was locally produced and much less expensive compared to the marker vaccine. The marker vaccine which will be in use in September-December 2005 is imported and more expensive. This vaccine has never been used in the EU and results from its implementation are unclear. The tests which are to be used for testing of those hogs vaccinated with the marker vaccine, are also much more expensive. Compensations to be paid and resources to be used by the vet service are still difficult to measure in advance.

Feedstuffs

The MY2004/2005 the grain supply was good and positively affected the pork sector. The feed accounted for 70-75 percent of pork production cost. The average feed conversation rate was 3.20- 3.70 kilos of feed for a kilo of growth. See cattle section for more details.

Prices

Pork prices in 2002-2005 in leva/kilo				
	Average 2002	Average 2003	September 2004	September 2005
Purchase price in LWE, hogs	2.04	1.58	2.36	2.80
Purchase prices in LWE, sows	1.69	1.24	1.83	2.10
Wholesale price, leva/kilo, pork carcass	4.35	3.60	4.80	5.60
Retail price, leva/kilo, pork ham	6.59	5.59	6.66	7.50
Source: MinAg Marketing Bulletin for Red Meat, November 2004; Association of Meat Processors Bulletin #37, 2005				

After the price reduction in 2003 due to higher meat supply, in 2004 and 2005, prices continued to slide upward to reach 2.50-2.75 euro/kilo for pork carcass meat in September 2005 or almost double than the average EU prices. This trend was a result of short meat supply, lower pork supply for the market and for processing; and high import duties. Importers did not have a choice to purchase at competitive prices from the global market due to one-sided trade policy focused on preferences for the EU where pork prices were also high. Attractive pork prices in 2005 stimulated further slaughter by smaller farms.

Pork Meat Production

The number of slaughter hogs is estimated by the AgOffice after having other estimates in the demand part of the balance (similar with the cattle tables). According to official MinAg

data (Bulletins #80 and# 66), the number of slaughter swine, both at the slaughter houses and at farms, in 2004 was 997,000 head, or lower than the AgOffice estimate. Using the same methodology as with cattle (see above), the AgOffice estimates this number at 1.146 million head (due to assumed "underreporting" (see the cattle section about the official MinAg statistical methodology and exclusion of very small farms). The same method is used to estimate the number of slaughter animals in 2005 and in 2006.

Meat production is calculated based on official data about carcass weight registered at both slaughterhouses and at farms, or 79 kilos/head. This index is used for 2004 and 2005/06 since no significant changes are expected soon. The AgOffice estimate for pork production is at 91,000 MT for 2004 compared to official MinAg data of 78,000 MT due to lower number of slaughtered hogs.

The good feed availability in 2004 and 2005 did not lead to lower slaughtering and increase in hog numbers. High pork prices stimulated by growing demand exceeding local supply and imports (due to the protectionist trade policy), and attracted most small/medium farmers to slaughter and sell pork or to use it on-farm (see information about slaughter trends in 2004 below). However, the hogs were better fed and slaughtered at higher average carcass weight compared to the grain-deficit 2003. For this reason, the official MinAg records showed 11% increase in pork production in 2004 vs. 2003 and higher average LWE (respectively CWE), by 55.6% for hogs, and by 21.7% for piglets.

Hogs slaughtered at slaughterhouses declined in 2004 by 16.6% which resulted in 12.3% lower pork supply for the market and for the processing (45,000 MT or 57.9% of total pork) despite higher average LWE/CWE. Hogs slaughtered at farms supplied 42.1% of all pork production. In 2004, farms registered higher number of slaughtered hogs, by 37.2%, and also higher average LWE at slaughter (by 21.4%).

In 2004, the regions of Lovech, Plovdiv, Rousse, Stara Zagora and Turgovishte accounted for 53.1% of total pork production.

These trends are not likely to change in 2005/2006 when the good feed availability continues, however, the meat shortage becomes more acute and prices jump further upward. Therefore, slaughter rates are expected to be similar. However, due to already declined numbers, projected meat production will be lower, thus further deepening the deficit on the meat market. This situation will likely lead to higher imports of pork or other less expensive alternatives such as beef or turkey. Therefore, the AgOffice forecasts further growth in imports in 2005 and 2006 to 37,000 MT-38,000 MT.

Pork Consumption

Pork consumption in the PSD data is an AgOffice estimate based on market research data. In 2004, lower local meat supply was not compensated by sufficient imports although imports increased significantly, and more than initially projected. Thus, total supply declined and led to significantly lower pork consumption at 122,000 MT. The MinAg shows lower consumption of 115,000 MT (Red Meat Bulletin November 2004) to 121,000 MT (Bulletin #80, June 2005).

The estimate for 2005 and 2006 is for further drop in pork consumption. Despite growing and favorable consumer demand in 2005 and 2006, the sharp increase in prices of local fresh pork and expensive imports (due to eliminated TRQ and current high duties) for the meat processors, are likely to lead of some reduction in consumption and its substitution with beef/turkey (in meat processing) and with chicken (in fresh consumption). Another reason for lower human consumption in 2004-2006 is much higher prices, especially of fresh/chilled

local pork. Therefore, the AMP and other market research organizations have already registered a decline in consumption of fresh meat and a slight increase in purchases of processed meat products in 2005. In addition, the 2006 pork supply is likely to be much lower due to CSF eradication. Despite possible increase in imports, consumption will continue to go down unless some radical changes are undertaken in the trade policy area.

The 2004 trend for stronger consumer preferences toward lean pork meat and chicken, as a substitute for pork, continued in 2005 as well. Consumers started replacing pork with turkey and turkey products, and processors were substituting pork with beef or turkey. These preferences developed partly as a result of healthy nutrition orientation in the urban areas but mainly due to price adjustments for low-middle income consumers.

Trade

Exports

In 2004, Bulgaria had an export quota to the EU at duty free access for 3,000 MT (July 1, 2003 – June 30, 2004). The annual increase in this quota is 500 MT.

There is an export quota for 200 MT of pork to Macedonia at 50 percent reduction in import duty or 10 percent plus 0.21 Euro/kilo.

Currently, Bulgaria does not export pork to the EU due to mandatory vaccination of hogs against swine fever. Other reasons are related to the poor quality of local pork which has thicker fat layer. In addition, the SEUROP carcass classification is not adopted yet. Thus, pork exports are small, usually 140-170 MT per year. In 2004, total pork exports were 202 MT. The traditional market was Macedonia.

Imports

The trade matrix shows pork imports for 2004 only under HS#0203 which includes fresh/chilled and frozen product (15,444 MT for \$20.4 million). Imports are mainly in a frozen form. However, due to high import duties under HS#0203, most importers prefer to trade pork products (in addition to frozen pork) which are afterwards either used for further processing or for direct consumption (Table 2).

Imports of edible offal in 2004 were 12,607 MT vs. 8,912 MT total in 2003. Pork fat imports in 2004 doubled to reach 15,502 MT vs. 8,036 MT in 2003. Imports of cured and salted meat tripled to 4,838 MT vs. 1,760 MT in 2003. Total "other pork" includes 10,707 MT under HS#0206 49 and 4,642 MT under HS#0210 19 (15,349 MT), or total pork meat imports of 31,000 MT. Another 1,000 MT of pork meat are estimated to be imported under HS#0209 (pork fat). The MinAg estimate for pork imports in 2004 is at a similar level, 32,000 MT. The Association of Meat Processors is estimating actual pork imports even higher, at 43,000 MT. The AgOffice estimate for imports in the PSD table is at 32,000 MT (estimated value of \$42.0 million) and the trade matrix shows 15,000 MT. Pork imports for the first seven months of 2005 were 18,700 MT.

Frozen pork usually accounts for over 90 percent of imports. Demand for imports of certain frozen cuts for processing is increasing due to higher consumer demand for processed meat products versus fresh pork. This demand is also stimulated by significant tourist inflow in the summer months.

Basic Import Duties in 2005

HS#	Product	Import Duty
HS#0203	meat from swine, fresh, chilled or frozen	
	fresh and chilled	
HS#020311	whole or half carcasses	25% min.664 Euro/MT
HS#020312	shoulders, picnics, Boston butt and cuts from them, bone-in	25% or min. 664 Euro/MT
HS#020319	other (it includes boneless cuts, loin, belly, ham, trimmings)	25% or min. 664 Euro/MT
	Frozen	
HS#020321	whole or half carcasses	40% or min. 622 Euro/MT
HS#020322	shoulders, picnics, bottom butt and cuts from them, bone –in	40% or min. 622 Euro/MT
HS#020329	other (it includes boneless cuts, loin, belly, ham, trimmings)	40% or min. 622 Euro/MT

Trade Agreements

In 2004 and 2005, the GOB did not introduce any import TRQ for pork (excluding the EU-TRQs) due to protests of local pork producers. The only TRQ regardless of the origin was introduced in July 2005 for pork fat, 5,000 MT, for 6 months, at a zero duty.

EU: Starting July 1, 2005, there is a duty free import quota for 9,550 MT of pork with an annual increase of 500 MT or 10,050 for the period July1, 2005-June 30, 2006; 7,500 MT for frozen pork fat ; and 100 MT for processed meat products. The quantity was split in 4 equal portions per a quarter.

According to the latest trade agreement with the EU, Bulgaria was granted an export TRQ for pork meat and products under HS#0203, 1601,1602 at a zero duty for 3,900 MT with an annual increase of 500 MT starting July 1, 2005.

Turkey, Israel and Macedonia: no preferences

Croatia: The max import duty for HS#0203 is 25 percent without any quantitative restrictions.

Agricultural Policy

There are not any specific programs for the pork industry as well as for cattle/beef industries. The State Fund Agriculture soft credit lines are for purchasing of breeding stocks and construction of farms. In 2004, the livestock investment program of the MinAg supported 9 project for purchase of 440 breeding sows for 130,000 Euro. SAPARD funding is also available for pork farms.

Trade Policy

In 2005, the situation on the meat market became tense. Growing incomes and the development of the retail and food service sectors continued to stimulate meat consumption. At the same time, local production, which has never been sufficient to meet demand, was facing difficulties with necessary investment, animal health issues and efficiency. Local farmers were unable to meet the demand of the meat processors for higher volume and better quality meats. Practically all locally produced meat was used either for on-farm consumption or for fresh/chilled use on the market, a pattern which has been traditional for the last 5-6 years due to the meat shortage, however, in 2005, the shortage was more acute. At the same time, the protectionist trade policy did not allow imports of necessary meat for the meat processing industry in a volume demanded by the market. As a result, pork consumption declined

Meat shortage and the prospects of continued problems in local meat supply as well as difficulties in imports due to protectionist trade policy over the last 5 years, caused the Association of Meat Processors to approach the newly elected Prime Minister with an open published letter about the situation on the meat market and difficulties in the meat processing sector.

The letter emphasizes on the following points (all data and figures below are cited from the AMP letter and are not AgOffice estimates):

- Local meat production is entirely used for fresh consumption. The processing industry has to rely on imports, which is expensive due to high duties. Thus, consumers subsidize inefficient local meat production.
- The protectionist trade policy for the last 15 years did not help the pork or poultry production sectors and currently these two sectors are inefficient and not competitive. As a result, they will not be able to survive on the common EU market after the EU accession. Over the last several years, two parallel markets have been developed, one for fresh local meat for direct consumption, and one for frozen imported meat for processing. As a result, the protectionist trade policy did not help local meat farmers but ruined the competitiveness of the meat processors and put extra burden on local consumers.

For example, the number of swine declined from 1.7 million head in 1999 to 931,000 head in 2004; pork production in 1999 has been 267,000 MT to reach 78,000 MT of which only 45,300 MT was produced at slaughter houses (12% less than in 2003) and fits for processing; local pork consumption in 2004 was 121,000 MT of which 40,000 MT were imports. Currently, the pork prices (wholesale price for carcass meat) in Bulgaria are around 2.5 Euro/kilo compared to 1.20-1.40 Euro/kilo in the EU.

Poultry meat supply was not sufficient as well - production grows but slower than demand, and imports in 2004 were 53,000 MT. The AMP thinks that the duty on turkey, meat not produced in Bulgaria, is a nonsense.

In the beef sector, local supply in 2004 has been only 31,000 MT of which only 7,500 MT produced at the slaughterhouses and used for processing; imports were 43,000 MT.

Import duties in the trade regime are not stimulating further processing and production of higher value meat product. Duties on raw materials, such as meat, and those for processed products are almost equal. Duty on turkey meat which is not produced, is not only high, but also increased several years ago. In most

countries in the region, import duties on meat are in the range of 15%-20% compared to 40% or 664 Euro/MT in Bulgaria.

Based on the above, the AMP appeals to the Prime Minister for the following changes in the trade regime starting October 2005:

1. To introduce a TRQ of 3,000 MT of frozen pork at a reduced duty of 150 Euro/MT for the period of October 1-December 31, 2005. This suggestion is based on the following justification:
 - meat processing industry needs 90,000 MT per year as raw materials while local production supplies only 45,000 MT-50,000 MT and this quantity is used for direct fresh consumption;
 - prices of local pork are currently high, in 2004 they have increased 70% compared to average 2003 prices, and by 30% compared to early 2004, and they continue to rise;
 - the new trade agreement with the EU which came in force on July 2005, envisaged a little increase in EU-TRQ pork quota to 10,050 MT. However, the TRQ was split in 4 parts per quarters. The first quarter portion of 2,512.5 MT for the period July 1- September 30, was used for 4 days only. The second portion which will be open on October 1, will be a "drop in the sea", moreover that the demand is much higher around Christmas holidays. In addition, the pork price in EU has increased 10% compared to early 2005, thus EU-TRQs (the only available TRQ) transfer this increase to the local processors/consumers. This policy deprives local processing industry from the choice to choose the best quality and price from the global market.
2. Starting January 2006, to decrease duties for both frozen and chilled pork from 40% to 15%; to abolish specific duties in Euro/MT and to leave only ad valorem duties;
3. To introduce zero duty on imports of frozen pork under HS#0203 29 550, meat which is of highest demand by processors. This suggestion is justified by the following: 2006 pork supply will be lower and more expensive due to CSF eradication; CEFTA agreement does not provide any preference since current members, Bulgaria, Romania and Croatia, are all net meat importers; the only existent TRQ is for EU origin meat, and for 10,050 MT, which is not enough for the needs of the processing industry;
4. To reduce duty for pork fat from 40% to 10%. The duty on pork fat is very high, equal to the one for meat. At the same time, pork fat is almost not produced and locally traded. The EU-TRQ quota is small, 7,500 MT, while 2004 imports were 15,503 MT, double than in 2003. The first portion of the TRQ of 1,875 MT opened on July 1, 2005 was used for 21 days. Similar to meat, the EU prices of pork fat are high, and the trade regime does not provide any alternative.
5. To allow duty free imports of turkey meat under HS#0207 27 10 0, a product which is not produced in the country. The estimated need for the processing industry is about 20,000 MT. Turkey imports have been growing steadily in 2003 and 2004 reaching 70% of total poultry imports (15,000 MT). The EU-TRQ are very small: 1,900 MT under HS#0207 along with chicken products. The first portion or 475 MT opened on July 1,2005, was filled for 4 days.

Currently, it is not known if the GOB will respond positively to this request. Most meat processors think that the GOB will liberalize pork imports but only after a serious CSF outbreak and visible pork shortage and skyrocketing prices in 2006.

U.S. Market Opportunities

Market opportunities for U.S. pork for processing are very good. The limiting factor are relatively high import duties and duty free import quota for the EU origin pork which discriminates against U.S. pork products. The favorable import period for the U.S. in 2005/2006 is after July due to the higher local pork prices and utilization of the EU pork import quota.

Table 1. National number of livestock as of January 1, 2002, 2003 and 2004 in 1,000 head

Table 1. National number of livestock as of January 1, 2002, 2003 and 2004 in 1,000 head			
	2003	2004	2005
Cattle	691	728	671
Cows	376	378	380
Hogs	1117	1032	931
Sows	116	79	76
Sheep	1728	1600	1,693
Ewes	1379	1280	1,351
Goats	754	725	718
She-goats	619	593	578
Total sheep and goats	2482	2325	2,411
Total ewes and she-goats	1998	1873	1,929
Note: 2004 and 2005 numbers are official MinAg livestock numbers (Agro Statistics Dep.) as of November 1, 2003 and November 1, 2004 which is accepted as a valid (or very close number) for January 1, 2004 and January 1, 2005			

Table #2. Imports of meat products different from meat cuts (variety meat, fat, salted/cured meat, processed meat products) in 2002 and 2003 in MT by origin

Imports of meat products different from meat cuts (variety meat, fat, salted/cured meat, processed meat products) CY 2002 – CY 2004 in MT by origin			
	2002	2003	2004
HS#0504 Beef tripe	3,962	4,684	5,213
Greece	425	1,818	1,533
USA	1,827	1,121	1,696
Germany	494	579	435
Holland	382	303	
Brazil	400	NA	250
Spain	0	0	314
Australia	0	0	163
HS#0206 Variety	10,165	8,910	12,607

meats			
Greece	2,226	2,071	4,603
Holland	1,691	1,037	878
Canada	833	1,023	1,665
Spain	318	676	1,750
USA	344	152	NA
Germany	1,370	NA	825
Austria	0	0	798
HS#0209 Pork fat	10,916	8,035	15,502
Spain	1,527	1,952	3,667
France	2,595	1,609	2,038
Greece	1,668	966	3,300
Austria	1,320	950	NA
Holland	1,307	901	1,318
Canada	0	0	1,408
USA	NA	NA	586
HS#0210 Salted/cured meat	1,156	1,756	4,838
Greece	164	994	668
Cyprus	NA	296	658
Yugoslavia	NA	234	306
USA	279	88	190
France	156	36	NA
Brazil	NA	NA	2,442
HS#1601 Processed meat products	1,784	996	699
Austria	865	550	234
Spain	342	272	338
Belgium	144	70	NA
HS#1602 Ready food and cans made from meat	4,742	9,689	6,773
USA	691	3,476	796
Greece	80	1,945	1,066
Brazil	1,060	1,735	1,186
Germany	838	1,190	2,148
Denmark	711	632	399
Poland	NA	132	190
Total	32,725	34,070	45,632